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PD-A BW-849

**West Bank and Gaza**

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**PALESTINIAN ECONOMIC OPPORTUNITY  
PROGRAM for LENDING and ECONOMIC  
DEVELOPMENT  
(PEOPLED)**

**Award No. 294-A-00-02-00201-00**

**Quarterly Report No. 2  
April – June 2002**

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**Monday, September 02, 2002**

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## **I. Executive Summary**

### **A. Overview**

In December of 2001, the United States Agency for International Development (USAID) signed a cooperative agreement with CHF International for a two-year program entitled the Palestinian Economic Opportunity Program for Lending and Economic Development (PEOPLED) to expand the CHF Home Improvement Loan Program. This expansion was to be both in the form of capital for the program and geographic coverage (i.e., expanding from solely in Gaza to three major cities in the West Bank. The primary goal of the program is to improve quality of life and stimulate private sector activity in the Palestinian Territories by increasing the range of financial services available to the Palestinians.

PEOPLED will build upon the success of the CHF Gaza HILP utilizing the same approach of working with private sector banks to deliver sustainable credit services. Like the current HILP, the program's partner banks will provide a portion of the loan capital and bear the full risk on that share, as well as participate in the servicing of the loans. PEOPLED will target low-income individuals (male and female) and families in Gaza and the West Bank who do not have access to credit for home improvements.

PEOPLED seeks to provide Palestinians with housing solutions that are technically appropriate and meet adequate standards of livability and safety. The program gives micro-finance loans for home improvements to low-income Palestinians, offering one to three-year loans to repair, expand, or improve their homes with monthly payments. All loans are extended at market rates and under strict repayment conditions to families that have demonstrated the ability to repay. Loan installments are limited to 33% of income to ensure repayment capacity. All funds repaid by program beneficiaries revert to the CHF capital fund.

To ensure that the program reaches self-sufficiency, the interest rate will be 6.5% flat (annually) in Gaza and 7.5% flat (annually) in West Bank plus a 3% up front fee on each loan. The maximum loan size will be \$8,000 in Gaza and \$10,000 in the West Bank.

### **B. Expected Results**

It is expected that PEOPLED will result in:

- Increasing the level of private sector involvement by raising its partner banks' capital share on program loans disbursed;
- Expanding HILP to the West Bank;
- Disbursing approximately 3,000 home improvement loans representing more than \$6.8 million in loan capital, with local banks sharing a significant portion of the capital investment and risk.
- Increasing access to credit for home improvements by expanding CHF's current HILP program into the West Bank and lowering the guarantee requirements for existing services.
- Leveraging a minimum of \$3.4 million in private sector capital (in addition to the capital from CHF's current HILP) for home improvement loans.
- Achieving operational self-sufficiency by the end of year two of the project (enabling the program to service and replenish the loan portfolio through re-flows from market interest rates and related loan fees).
- Stimulating the construction industry through increased demand for construction materials and employment. (CHF expects to create approximately 12,600 person/months of construction employment in the Palestinian Territories through loans disbursed.

## **II. Current Activities**

### **A. Current Status**

After signing the cooperative agreement on December 4th, CHF has opened site offices in Ramallah, Nablus and Hebron and hired qualified staff in all required positions. In addition to its office in Gaza City, these offices serve as the implementation points for the program and will be charged with the marketing, implementation, and follow-up of all aspects of the program.

Since signing the new agreements with Arab Bank and Cairo Amman Bank, CHF PEOPLED has been working with cooperative banks to implement the procedures and policies necessary to start the execution of the new agreements in the West Bank and Gaza. Meanwhile, the program in Gaza continues to disburse new home improvement loans through Bank of Palestine under a previously existing agreement.

Due to the invasion of the Israeli Defense Army (IDF) into the Palestinian Territories, there has been a delay in the implementation of the signed agreements with these banks. The ongoing activities of the IDF in the Palestinian Territories, which started on the 1<sup>st</sup> of January, have caused massive damage to all sectors: housing, infrastructure, environment, etc. Curfews imposed by IDF also represent a massive setback to the economic life in the territories.

### **B. Major Actions Planned for the Next Three Months**

CHF headquarters, the Country Director, the Program Director and CHF's Field Staff will review annual implementation plans in order to adequately respond to any new challenges. New activities planned for the next three months include:

Training the Banks' employees in using the MIS;

Initiating the marketing campaign;

Begin disbursing home improvement loans in the West Bank;

Conducting technical site visits for all loan recipients (on-going); and

Studying the plan of opening three new offices for PEOPLED in Jenin, Bethlehem and Tulkarm.

### **C. Financial Status**

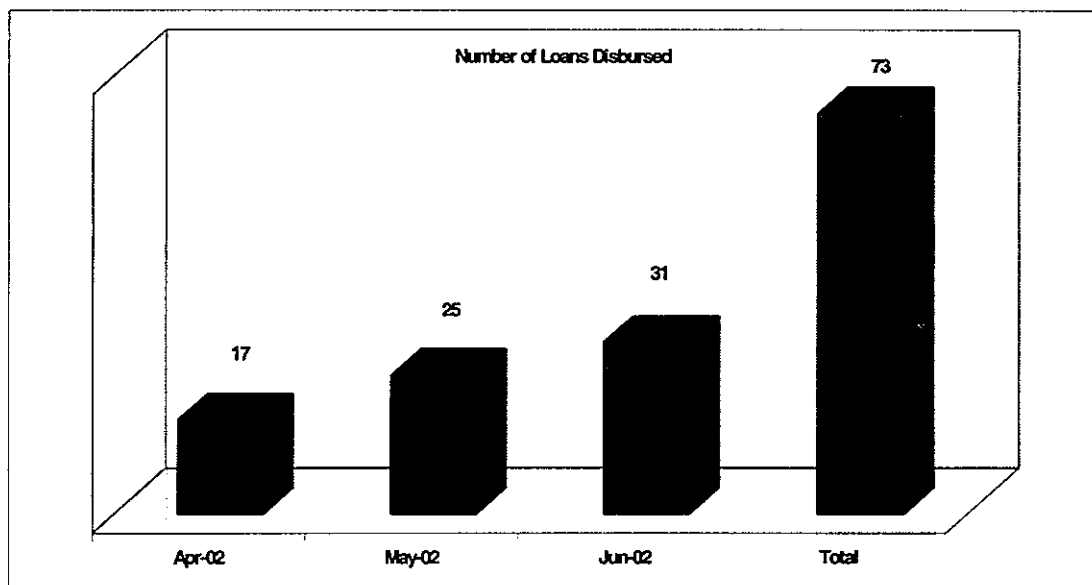
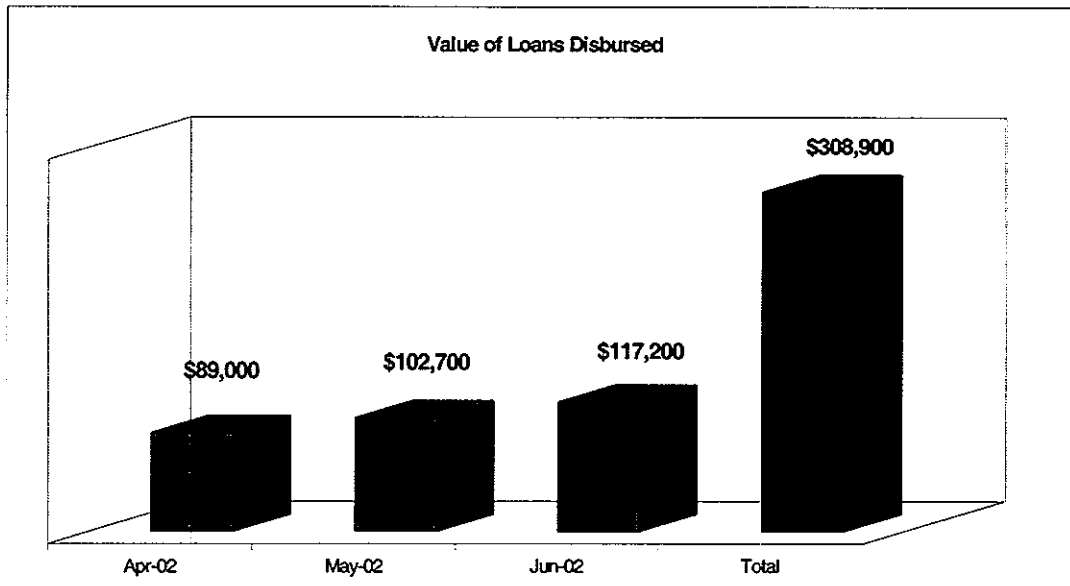
Official financial status for this reporting period is detailed in form 269A which was submitted to USAID on August 15, 2002. Some of this information is summarized below.

<b>Description of Funds</b>	<b>Amount</b>
Life of Project Funds (capital and operating) - USAID	\$2,600,000
Obligated to Date (capital and operating) - USAID	\$2,600,000
Expended to Date (capital and operating) - USAID	\$1,522,191

### III. Program Achievements

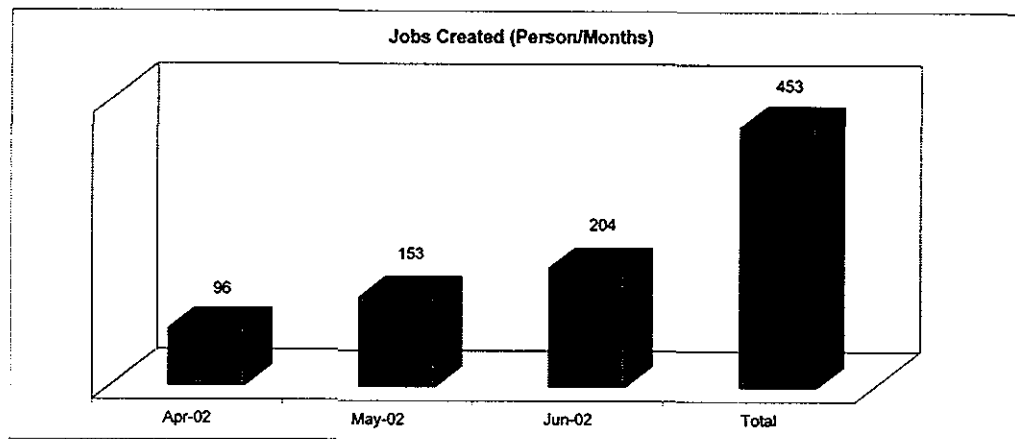
#### A. Value of Loans Disbursed

During this reporting period, the program has disbursed approximately \$308,900 in home improvement loans (\$257,840 is CHF's contribution to the loan fund and \$51,060 is the banks' contributions). The following table represents the monthly value of loans disbursed from the CHF fund during this reporting period.



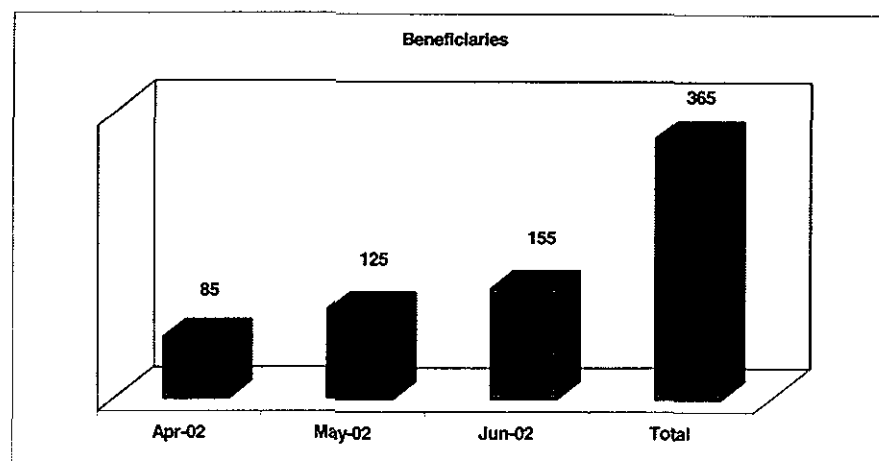
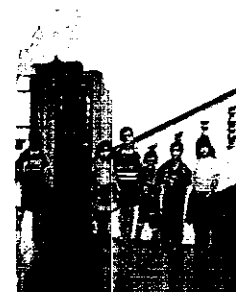
## B. Job Creation

The following table represents the number of person/ months of employment created per month for this reporting period.



## C. Number of Beneficiaries

The total number of beneficiaries is calculated by multiplying the number of loans by the average CHF borrower's family size.



#### **D. CHF & Bank Partnerships**

On February 19th, CHF signed a new agreement with Cairo Amman Bank raising the Bank's contribution in the loan fund to 50%. A new agreement was also signed with the Arab Bank on May 9th raising its contribution in the loan fund to 35%. Since signing these new agreements, CHF has been working closely with the banks to start implementing the lending procedures of the new agreements and to begin work in the West Bank and Gaza.

During the current period, Cairo-Amman Bank disbursed 34 (this figure represents second disbursement for loans approved during the previous reporting period) and the Arab Bank disbursed 21 loans valued at \$105,500, while Bank of Palestine disbursed 51 loans valued at \$200,000.

#### **E. Initial Indication of Impact**

During this reporting period, \$395,000 in loans was approved, representing 92 new borrowers and 73 loans were disbursed totaling \$308,900. In addition to the direct impact of the program in home improvements, the program is also stimulating economic activity in the area by providing direct and indirect labor, totaling approximately 453 person/month of employment. During this reporting period, 73 families have received home improvement loans; given the average of five persons per family, the loans have directly impacted the lives of 365 individuals.

#### **F. Gender Equity<sup>1</sup>**

The following table provides data on female involvement in the HILP/PEOPLED.

<b>Indicator</b>	<b># Of Direct Beneficiaries</b>	<b># Of Female Beneficiaries</b>	<b>Females as % of Beneficiaries</b>
<b># Of Loans Disbursed</b>	73	11	15%
<b># Of Beneficiaries</b>	365	55	15%
<b># Of Person/Months Employed</b>	302	0	0

#### **IV. Other Issues**

None.

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<sup>1</sup> Due to the nature of this program 50% of the indirect beneficiaries are women.